



STARTING A RECYCLING BUSINESS





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The Beverage Container Recycling Program



Overview

In 1986, the California Beverage Container Recycling and Litter Reduction Act (*Act*) created a statewide beverage container recycling program. The Act establishes minimum refund values on beverage containers and requires a convenient system for consumers to redeem their containers. The broad goals of the Act include reducing litter along with achieving an 80 percent recycling rate for all beverage container types covered under the program. Success of the program depends on effective coordination between government and the private sector. Communication and availability of information play an important role in promoting this coordination. Implemented in 1987, the program relies on four types of certified recycling operations to provide convenient recycling opportunities to consumers: drop-off or collection programs, community service programs, recycling centers and processing facilities.

The program is managed by the Department of Conservation (*Department*) and is funded through the Beverage Container Recycling Fund (*Fund*). The Fund consists of monies deposited by beverage distributors as California redemption payments. The distributors are required by law to make these payments when they sell beverage containers to dealers within California. These payments are then paid out as California Refund Value (*CRV*) to consumers and other recyclers when they redeem their beverage containers at certified recycling centers. Only beverage containers purchased from a dealer in California can be redeemed for CRV. Since not every container is redeemed, unclaimed funds are used for payments to cities and counties to implement recycling projects, payments to curbside collection programs, incentive payments to recyclers to establish convenient recycling locations, grants, statewide public education and information, and administration of the program.

What are the elements of the program?

The program is composed of many different elements developed to promote and regulate beverage container recycling within the State. These include CRV, certification of recycling operations, processing fees, convenience zones, handling fee payments, recycling rate calculations, researching recycled material markets, auditing and enforcement, and statewide public education and information, including Recycle Rex, a toll-free information line (**1-800 RECYCLE**), and a web site (www.conservation.ca.gov).

This section provides a description of beverage containers and the other elements that comprise the program. As you read the descriptions, it is important to note that the legal and regulatory environment surrounding recycling is constantly changing. Therefore, the most current information can be obtained by calling the Department's Division of Recycling (*Division*) or accessing the web site (*See Chapter 5*).

Beverage Containers

Containers on which the Department concentrates its efforts are defined by law as aluminum, glass, plastic and bimetal container types filled with carbonated and non-carbonated waters, carbonated and non-carbonated soft drinks, sport drinks, wine coolers, distilled spirit coolers, carbonated and non-carbonated fruit drinks, vegetable juice in beverage containers 16 ounces or less, 100% fruit juice in beverage containers 46 ounces or less, coffee and tea beverages as well as beer and malt beverages. However each year the Legislature reviews other containers that may be added to the list, so the types of beverages included under the law may be expanded.

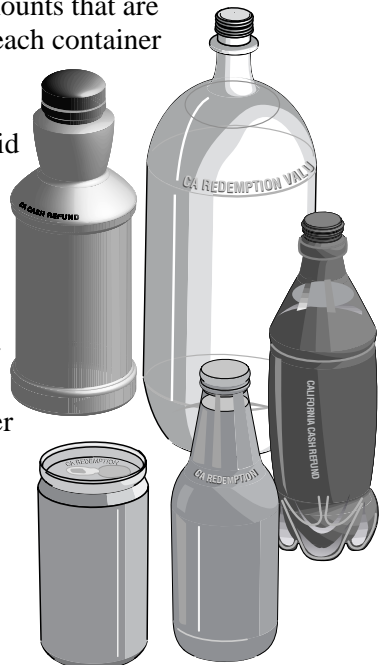
Beverage types that are not included in the program include wine, distilled spirits, milk, medical food, infant formula, 100 percent fruit juice in 46 ounce or larger containers, beverages not specifically included in the Act, products not in liquid or ready to drink form, and products not intended for human consumption.

California Refund Value (CRV)

The main economic incentive that the legislation created for the beverage container recycling program is the payment of a refund value for containers redeemed by a consumer. Such payments are only paid on properly marked containers purchased in California. The properly marked containers must have one of the following labels printed on the container:

- California Cash Refund
- CA Cash Refund
- CA Redemption Value
- California Redemption Value
- CA CRV

According to law, the amounts that are paid as refund value for each container can change based on the level of recycling. Currently, the amount paid is 8 cents for every two beverage containers less than 24 ounces, or 8 cents for every beverage container 24 ounces or more. Four cents is paid for single beverage containers under 24 ounces.



Certification

The Department certifies and monitors recycling operations that handle CRV beverage containers. The different types of recycling operations that can currently be certified include drop-off or collection programs, community service programs, recycling centers and processing facilities.

The certification application process requires knowledge of the Department's regulations and procedures. Chapter 3 details some of the information necessary to complete an application.

After certification, the Department carefully monitors certified recycling operations by reviewing their records and operating practices for regulatory compliance. Records include, but are not limited to, receipts and logs, daily summaries, shipping reports and processor invoice reports. The preparation and maintenance of these records are critical functions of a certified operator.

Processing Payment

A processing payment is an amount paid to curbside programs, drop-off or collection programs, community service programs and recycling centers to subsidize the cost of recycling certain beverage containers. The payment is calculated for each beverage container type that cannot provide a profit to the certified recycler when the containers are recycled. The payment is the difference between the recycler's costs (*plus a reasonable rate of return*) and the scrap value calculated for each container type. The processing fee is initially paid by the beverage manufacturer to the Fund. Since the payment is constantly changing through regulation and legislation, you should contact the Department for the most current information.

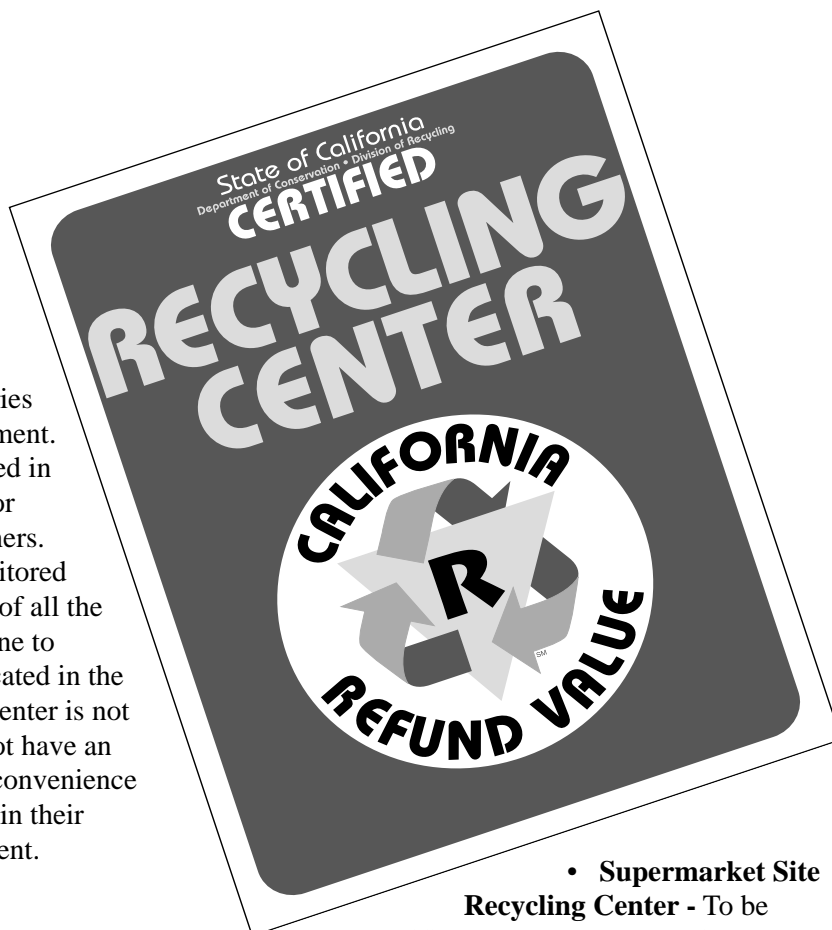
Convenience Zone

A convenience zone is the area within a one-half mile radius around supermarkets that have gross sales of two million dollars (\$2,000,000) or more per year. Each convenience zone is required to have a certified recycling center within its boundaries unless specifically exempted by the Department. The convenience zone concept was mandated in order to provide convenient opportunities for consumers to redeem their beverage containers. Convenience zones are designated and monitored throughout the year. It is the responsibility of all the beverage dealers within the convenience zone to assure that a certified recycling center is located in the convenience zone. If a certified recycling center is not established in the zone and the zone does not have an exemption, all beverage dealers within the convenience zone must redeem beverage containers within their stores or pay daily penalties to the Department.

Handling Fee Payments

Recycling centers located at supermarket sites, rural region recyclers and nonprofit organizations that meet specific requirements are eligible to receive a monthly handling fee payment. Handling fee payments are incentives to encourage convenient redemption of empty beverage containers and to reward operational efficiency. The handling fees encourage increased redemption by paying a set amount for each eligible beverage container redeemed by the recycling center from consumers (*up to a maximum of \$2,300 per month*), provided the recycling center achieves a minimum volume of 60,000 beverage containers.

To be eligible for handling fees, a recycler must be one of the following types of recycling centers:



- **Supermarket Site Recycling Center** - To be qualified as a “supermarket site”, your recycling center must be located within, or outside and immediately adjacent to the entrance of, or within a parking lot or loading area surrounding a supermarket which is the focal point of a convenience zone, or a dealer that is located within that zone, and which is accessible to motor traffic.
- **Nonprofit Convenience Zone Recycling Center** - To be qualified as a nonprofit convenience zone recycling center, the operator of the site must be a **nonprofit** organization as established under Section 501(c) or 501(d) of Title 26 of the United States Code and have recycling centers which are certified and located somewhere within a convenience zone. The location of the recycling center need not be at a supermarket site.

- **Rural Region Recycling Center** - To be qualified as a rural region recycling center, the recycling center must be located in a rural region as defined by the Farmer's Home Loan Administration criteria and must be located somewhere within a convenience zone. The location of the recycling center need not be at a supermarket site. Additionally, rural region recyclers have the flexibility to **combine** total monthly beverage container purchases from two or more of their rural convenience zone sites to establish eligibility for a **single** handling fee payment based on the aggregate volume of the sites chosen. There is no maximum number of sites that can be included in this combination of recycling centers, or **cluster**.

Each month, the Department determines the handling fee eligibility for every recycling location. To be eligible for a handling fee, a recycling center must be all of the following on the first day of the calendar month for which handling fees are claimed:

- Certified and operational
- In a non-exempt convenience zone
- The sole recycler in the zone
- Not a grandfathered facility

Eligible recyclers must submit a handling fee application monthly. This application must accurately report the weight of each material type redeemed from consumers for that month. The Department then determines the handling fee payment based on the number of containers redeemed and the mix of glass and plastic containers. Handling fees are allocated by

awarding payments to recycling centers with the highest number of eligible containers first. This ranking process acts as an additional incentive to increase volumes. The Department has printed guidelines that can assist you with understanding and applying for handling fees.

What are the benefits of becoming certified?

One of the major benefits of becoming certified is that you are eligible to pay CRV for redeemed beverage containers. The CRV provides an incentive for consumers and others to return their beverage containers to your center. As a certified recycling center, a high volume of CRV redeemed containers will provide you with a greater opportunity for profit when you return them either to a certified processor or another certified recycling center for any potential scrap value. Keep in mind that the CRV does not contribute to your profit.

Being a certified operation also helps to keep you current on the latest changes to the Act. The Department will update you on any changes in the law or procedures that affect you.

In addition to CRV beverage containers, many other materials may also be profitable to recycle and you may want to consider adding them to your program. These materials are not discussed in detail in this guide. However, you can obtain more information on recycling materials other than CRV beverage containers from the California Integrated Waste Management Board (916/341-6000) or your local waste management agency.



Each day, Californians throw away three and a half pounds of garbage per person. Much of this “garbage,” including CRV beverage containers, is valuable and recyclable. If you can collect this recyclable material and then sell it to a business that reuses the material, recycling can be a profitable enterprise. Of course, in order to make the profit, you have to sell the recyclable material for more money than it costs you to collect it.

California is home to the sixth-largest recycled materials market in the world. For example, in 2002, Californians recycled over 10.6 billion CRV beverage containers. The Department has approximately 2,000 certified recycling centers in the State. The complex California market will continue to grow in response to increasing solid waste management concerns, thereby providing new business opportunities in the recycled materials industry.

To be successful in the recycling business, you must have a thorough understanding of the market for recyclable materials in order to adjust rapidly to changes in market conditions.

In addition to this guide, an excellent source of information is talking to people already in the business. These people will have up-to-date, practical information and suggestions, and will probably welcome an opportunity to discuss current trends in their field. Talk with people you already know, call your city or county recycling coordinator for contacts in the field, or seek out trade or industry groups for information. This section provides an introduction to the ever-changing recycling industry.

What are the different types of programs?

There are several different categories of recycling programs that present potential opportunities for businesses. By understanding the recyclable materials market, you will be able to decide if you want to start a recycling business; and if so, what kind of recycling program is right for you.

In addition to registering curbside programs, the Department certifies operators of drop-off or collection programs, community service programs, recycling centers and processing facilities. This certification only regulates how you, as an operator of a recycling center or processing facility, buy and sell CRV-labeled beverage containers purchased in California. The Department does not control other types of recyclable materials such as paper, cardboard, tires, autos, scrap metal, etc. However, many of those materials could be part of any recycling operation. This guide is focused on CRV beverage container recycling.

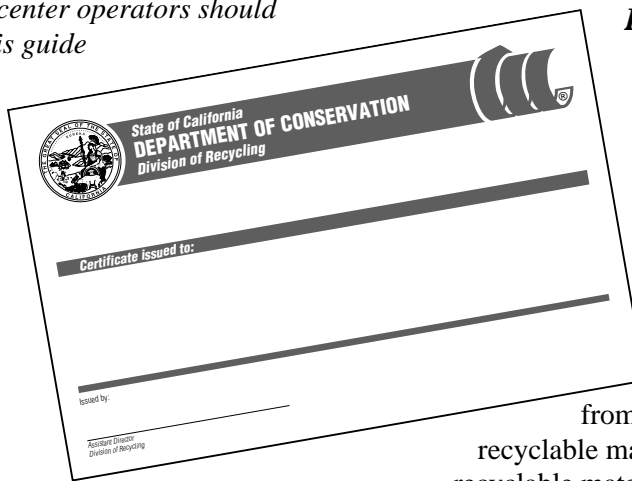
BASIC TYPES OF BEVERAGE CONTAINER RECYCLING PROGRAMS

RECYCLING PROGRAMS

- Operators of certified recycling centers pay CRV for beverage containers redeemed from the general public as well as from drop-off or collection programs, community service programs, other certified recycling centers and curbside programs. The containers redeemed must be properly labeled and purchased in California. The center pays, at a minimum, CRV for the containers. A certified recycling center operator is not required to buy non-CRV materials from consumers. It is optional whether or not some scrap value is added, but this is one incentive that you may use to attract customers.

- Some certified recycling centers are equipped with “reverse vending machines” that pay customers CRV for beverage containers placed in the machine. Other operations include staffed centers with bins or a truck on-site to pay the CRV and possibly scrap value. These recycling centers are often located within 1/2 mile of a supermarket as required by the “convenience zone” aspect of the program. *(Potential recycling center operators should read Chapter 1 of this guide which explains convenience zones.)*

- Recycling centers must redeem all eligible CRV container types.
- Operators must be certified for each recycling center location they operate.



- When the operator of a certified recycling center sells the beverage containers to another certified recycling center or a processor, the operator is repaid the CRV and may also receive a scrap price. The scrap payment is where the recycling center will make its profit on the CRV beverage containers. Arrangements for transportation of the goods to another certified recycler or a processor are the responsibility of the certified recycling center.
- Certified recycling centers that are the sole recycler within a convenience zone created by a supermarket may be eligible to apply for handling fee payments, which are also based on volume, if they meet the following criteria: **(a)** for non-rural, for profit recycling centers, located on or directly adjacent to the parking lot of a beverage retailer (*dealer*) located within an active, non-exempt convenience zone; **(b)** recycling centers operated by a nonprofit, tax-exempt organization (nonprofit convenience

zone recycler) located anywhere within an active, non-exempt convenience zone; or **(c)** recycling centers located in a designated rural region located anywhere within an active, non-exempt convenience zone *(based upon volume for single location or aggregated volume from more than one rural location in separate convenience zones).*

Processors

- Processors buy empty CRV beverage containers from certified recycling centers, drop-off or collection programs, community service programs and curbside programs. They pay these programs, at a minimum, the CRV plus possibly a scrap price. In addition to buying materials

from recyclers, processors prepare recyclable materials for sale to end-users where recyclable materials are converted into new products. Beverage container manufacturers, steel mills, and paper mills are examples of end users. As part of preparing beverage containers for market, processors may sort materials to recover the largest amount of recyclable materials possible, potentially involving flattening, decontaminating, and baling. Processors “cancel” the beverage containers, usually by altering the shape of the container so that





they cannot be redeemed for CRV again. For example, aluminum beverage containers may be canceled by shredding or densifying.

- Processors are not required to purchase all CRV container types. For example, a processor may choose to accept only aluminum beverage containers and not accept CRV glass or plastic. Processors cannot pay CRV to the public unless the processor is also dually certified as a recycling center.
- When selling these canceled beverage containers and other recyclable materials to end users, the scrap value received becomes the revenue for the processor.

Processors

Operators of drop-off or collection programs are prohibited from paying CRV and may be operated by individuals, partnerships, husband/wife co-ownerships, limited liability companies, or corporations. These programs may engage in one or more of the following activities:

- Set up drop-off bins at specific locations, such as offices or schools, to collect CRV containers on a donation basis. Drop-off locations are centrally located and usually utilize bins or boxes as the drop-off point for beverage containers. Most locations are self-service and open around the clock for customer convenience, although some are staffed with on-site employees to answer questions.
- Collect large volumes of empty beverage containers from a variety of places such as bars, restaurants, hotels and/or parks.
- Separate recyclables from mixed municipal waste.

Drop-off or collection programs range in size from large, national solid waste management corporations to

independent recyclers serving their local community.

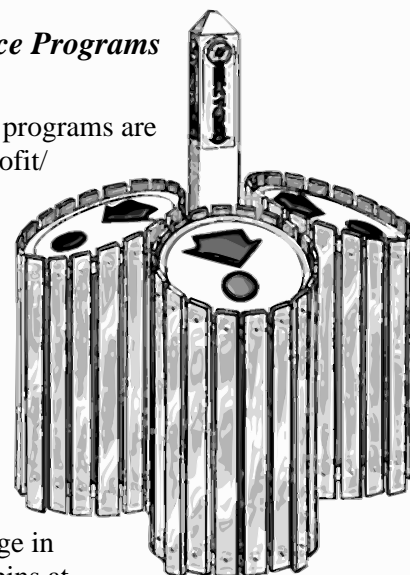
Drop-off or collection program operators usually accept or collect the donated material and sell it to someone else for processing. They make their profit from the CRV and any scrap value that they may be paid. The operator is responsible for arranging to get the beverage containers to a certified recycling center or processor. Certified drop-off or collection programs may pay scrap value. Operational details vary from location to location. Some locations provide recycling for only one type of material (e.g., aluminum), some accept multiple materials and some provide seasonal recycling of non-CRV materials (e.g., telephone books).

Drop-off or collection programs may be eligible to receive annual supplemental payments as neighborhood drop-off programs if they are located in a rural region and are designated by a city and/or county to provide recycling in specific residential neighborhoods.

Community Service Programs

Community service programs are operated by a nonprofit/charitable organization with tax exempt status, or by a city, county or other public agency. Like certified drop-off or collection

programs, community service programs may engage in setting up drop-off bins at specific sites or collect from various locations such as schools, churches, or parks. Charitable organizations (such as environmental groups, community groups and municipal governments) often become certified as a



community service program as part of their fund-raising efforts. These programs are prohibited from paying CRV for containers and may engage in the same type of activities as drop-off or collection programs. They may also be eligible to receive annual supplemental payments as neighborhood drop-off programs.

Curbside Programs

- Curbside programs collect CRV beverage containers and other recyclable materials from residences and multi-family dwellings in bins set out at the curb. This is usually a very convenient and easy method of recycling for the public.
- To apply for a registration number, the curbside program must provide the Department with verification of local government approval to operate in the area.
- Curbside programs, by definition, do not pay residents CRV for beverage containers. In fact, there is no payment involved to the consumers. The curbside program takes the beverage containers to a certified recycling center or processor to obtain CRV, scrap value and any other appropriate fees. This is how the curbside program covers a portion of its operation costs.

What is recyclable?

CRV beverage containers, paper, glass, metal, and plastic are some examples of potential recyclable materials. The market values of recyclable materials can vary according to the type of material. The market value, also called the scrap value, is essentially what the material is worth as scrap product for reuse as a raw material. Scrap value fluctuates according to market conditions. It is important to know the different values for the various types of beverage containers and other recyclable materials because your

ability to have a profitable business will depend on this.

Where will I get recyclable materials?

The source of your recyclable materials can vary widely. You may decide to target your services to the general public, the commercial sector, other collectors, or nonprofit groups. More specifically, you may target bars, restaurants, and hotels as sources of large quantities of CRV beverage containers that were purchased in California. In addition, recreational areas, such as city parks or sports events, may also be a good source for beverage containers. You can discover other sources of recyclable materials by identifying the consumers of your targeted recyclable materials and contacting them to discuss collection.

The convenience of your recycling operation, the amount you pay for recyclable materials, and other services you may provide are all factors that can increase the volume of recyclable materials received by your business. One important factor to keep in mind is that many certified recyclers and processors pay a higher scrap value for high volume loads. Therefore, it is important to collect or at least have the potential to collect large volumes of the recyclable materials you choose to recycle. This is important to consider because this would be an opportunity to increase potential profits.

Who are my competitors ?

Recycling isn't new. Valuable metals have been recycled since at least World War II, and business offices have been involved in office paper recycling for decades. Many municipalities also began their recycling programs decades ago. Even though recycling isn't new, the field has experienced an expansion over the past few years, which has drawn scores of new recyclers into the arena. Consequently, there are likely to be many individuals and businesses who will be competing in your market.



As an example, there may be a longtime recycler that is already operating in your chosen area. Because of loyalty or convenience, many people may not want a new facility or may be unwilling to support your business. Checking into the strength of the established centers in the area in which you wish to operate will be crucial to the success of your venture, because it will indicate whether you can obtain sufficient recyclable materials to support your costs.

A municipal curbside program is a potential competitor for recyclable materials from your area. The convenience of curbside recycling may cause people to decide not to redeem containers at your center. It will be important then to discuss a possible agreement with the curbside hauler for the purchase of his recyclable materials.

Depending upon the type of recycling operation you choose, some of your competitors may actually be suppliers of recyclable materials. For instance, your neighborhood girl and boy scout troops, the local environmental group, or other nonprofit organizations may collect beverage containers from your sources, but they may then redeem the containers at your certified recycling center. These organizations are usually involved in recycling as a means to raise funds. Seeking out these groups and creating some agreement will be beneficial to both of you.

To whom will I sell recyclable materials?

In order to make money in a recycling business, you will need to sell the materials to a certified recycling center or processor that pays not only CRV, but also a scrap value for large volumes of materials. A stable market for your beverage containers will play a critical role in the success or failure of your recycling

business. It is important to note that there are a limited number of CRV beverage containers, which makes them a valuable commodity in the market. It is important that you thoroughly investigate the market prior to starting your business. The Department maintains the names and addresses of all certified recycling centers, processors, drop-off or collection and community services programs that provide CRV beverage container recycling in California.

There are a variety of markets available in which to sell your materials. However, before you open your operation and need to sell your materials, some inquiry is required to understand the various factors that will influence your operation. The items presented below summarize some of the issues affecting recyclable material markets.



TRANSPORTATION COSTS

Transportation costs are crucial to the profitability of any recycling program. Some materials are more expensive to transport than others. For example, glass is expensive to transport because of its weight.

Moreover, the market for glass cullet might be glutted and the price you receive may not cover the costs to transport the materials.

MINIMUM VOLUME AND WEIGHT PROFITABILITY REQUIREMENTS

All certified recycling centers may accept any volume of CRV beverage containers that is brought to them by other certified operators. Certified processors must accept all CRV beverage containers of the type for which they are certified that are delivered by other certified operators. Some processors will pay a better scrap price for larger volume loads. This is important

to remember because larger loads will increase the amount of revenue. You must determine if the community in which you wish to operate will be able to provide the large volume of materials needed for profitability.

MATERIAL PREPARATION REQUIREMENT

Material preparation requirements of the certified processor you plan to use should be discussed. Crushing and baling containers will require the purchase of different recycling equipment. Recycling equipment can be very expensive, so slight differences in preparation requirements can make a significant difference in your operating expenses.

PRICES

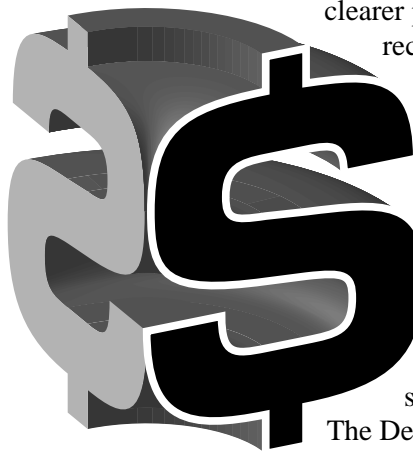
Price swings in the California market are common and can be crucial to the profitability of your recycling operation. Historically, prices for recyclable materials have fluctuated broadly. Reasons for these price fluctuations include changes in virgin material prices, energy price swings, oversupply, big-picture economics (such as recession), seasonal fluctuations, and market/end-user availability and accessibility.

CONTRACTUAL ARRANGEMENTS

There are a variety of contractual arrangements available, including a fixed price or a floating-price contract, both short or long-term. A fixed-price contract provides the advantage that if the market should weaken, the buyer will still pay you the set

price. The disadvantage of such a contract is that if demand for the recyclables increases, and the market price increases, you will still receive your set contract price. To reduce this risk, consider establishing contracts with several buyers. If one buyer changes material specifications or is unable to accept your beverage containers, you will have other buyers under contract. A disadvantage to having several contracts with different buyers is that smaller quantities may be allotted to each buyer and, therefore, you may receive a lower price. The program does not require certified operators to make contractual arrangements. These arrangements are solely between the parties entering into such agreements.

After you have investigated each of these points, a clearer picture of the potential viability of your recycling business will appear.



Check your local yellow pages to locate certified recycling centers or processors who might buy your CRV beverage containers. Also, check at a library for national directories for processors of other recyclable materials you may collect. Be sure to talk to people in the business, as they are one of the best sources for current market information.

The Department can also provide you with a list of certified recycling centers and processors. You may want to contact and establish relationships with several processors because the scrap prices may vary between them and this would ensure that you have some other options.

Fulfilling State and Local Requirements



A recycling business must satisfy numerous state and local government requirements in order to operate legally. The following information provides an overview with resources to contact for further assistance in fulfilling the requirements.

What licenses and permits do I need ?

In addition to applying for certification, there are licensing and permitting regulations that must be followed in order to operate any business. Each city and county will vary in its specific requirements. The following licenses and permits are commonly required for operation of a recycling business. This list is by no means all-inclusive; therefore, contact your local city hall, county administrative office, or planning department for assistance in identifying and meeting local requirements.

BUSINESS LICENSES

Business licenses are issued by the city and/or county to monitor adherence with appropriate local business regulations. Failure to obtain a business license will result in a penalty. Contact your local city hall or county administration for details.

CONDITIONAL USE PERMITS

Conditional use permits are sometimes issued by the city or county for conditional uses of land to operate the center or because the type of business does not fall under the established permitting categories. Contact your local planning department for more information.

OTHER PERMITS

Land use permits, local construction ordinances, building permits, or zoning validation may add conditions that must be met. These requirements will depend on the type of structure, if any, of your

recycling business and by its location. Contact your local planning department.

SCALE CERTIFICATION

Annual fees and scale certification requirements must be fulfilled. The county department of weights and measures monitors the scales that are used to weigh the recyclable materials. It certifies that your scale meets its requirements and will periodically inspect the scales for enforcement purposes. Contact the State Department of Agriculture's Division of Measurement Standards, along with the local or county office, for further assistance.

LEGAL DOCUMENTS

Legal organizational requirements include fictitious business name statements, articles of incorporation, articles of organization, and Federal employer identification number documents. These documents are necessary if they are applicable to your type of business organization. Fictitiously named businesses must be on record at the county recorders office of the county clerk. Corporations and limited liability companies must register with the Secretary of State's Office. If you plan to hire staff, obtain a Federal identification number from the Internal Revenue Service.

These licenses and permits are the basic items that you need when starting a recycling business. They come from a variety of sources but the local city hall, county administrative office, or planning department should be able to lead you in the proper direction to obtain the necessary items within your community. These licenses and permits are an important part of any business. Therefore, it is vital to maintain fees or annual renewals.

What fees and taxes must I pay?

There are several fees and taxes that you should anticipate paying. These include:

BUSINESS LICENSE FEES

Business license fees are charged when obtaining a business license and are generally paid annually.

BUSINESS TAX CERTIFICATE

Business tax certificate is obtained when a business license is purchased. Occasionally, this certificate is used in the same way as the business license and is issued to show that the business is allowed to operate within the jurisdiction.

FEDERAL INCOME TAX

Federal income tax will need to be monitored for both the business, if it is a corporation, and the salaries of all employees, including yourself. The Internal Revenue Service will be able to provide a list of the necessary requirements for this procedure.

STATE INCOME TAX

State income tax is filed with the Franchise Tax Board of the State of California. The Board can provide you with tax forms and additional information.

EMPLOYEE PAYROLL TAXES

Employee payroll taxes are administered through the Employment Development Department of the State of California. It can describe the necessary requirements.

WEIGHTS AND MEASURES FEES

Weights and measures fees are assessed when you

register with the county weights and measures office that will monitor your scales.

PROPERTY TAX

Property tax is assessed if you own the land where the center is located. The local tax assessor's office will be able to provide additional assistance.

OTHER LOCAL BUSINESS TAXES

Other local business taxes may be assessed such as payroll, gross receipts, or city business taxes depending on local government requirements.

LOCAL PERMITTING FEES

Local permitting fees may be required to obtain the necessary permits, such as land use, building, and occupancy permits.

In order for these fees or taxes to be paid in full and promptly, accurate records must be maintained. You may be audited by any of the tax agencies or the Department. Accurate tax records must be maintained and the appropriate income tax forms filed with the IRS, Employment Development Department, and the Franchise Tax Board for all employees including yourself. These agencies can help you to understand better the fees and requirements.

Are there requirements if I participate in California's beverage container recycling program?

Yes! If your business is going to pay and receive CRV for empty beverage containers purchased in California that you will collect or accept in large volumes, the business must be certified by the Department. In order to be certified, the business must follow certain



operational procedures. These certification procedures are outlined in the following two sections.

What are the requirements for each different certification category?

There are four categories of certification: drop-off or collection program, community service program, recycling center and processor. Read the following descriptions to determine into which category your business will fall. These requirements will affect your development of a business plan as described in Chapter 4, therefore, it is important to research all of the requirements of these different categories. Following this description is an overview of the application process.

Drop-off or Collection Programs

Drop-off or collection programs must meet the following requirements:

- Do not pay CRV for containers accepted or collected.
- Prepare logs of transactions and maintain copies of shipping reports and weight tickets prepared by the recycling center or processing facility buying your materials.
- Collect or accept a minimum of 500 pounds of aluminum or plastic beverage containers or 2,000 pounds of glass beverage containers every year to remain certified.
- Cannot qualify as a curbside program.

Unlike the recycling center certification, certification of drop-off or collection programs is only required once per organization. For additional information on this type of recycling program, see the Department's regulations.

Community Service Programs

Community service programs must meet the same requirements listed for certified drop-off or collection programs but prepare logs only for recycling drives or special events. For additional information on this type of recycling program, see the Department's regulations.

Recycling Center

Certified recycling centers, informally known as redemption centers or buyback centers, are recycling facilities which, in compliance with state regulations, accept from consumers and pay CRV for empty beverage containers. The requirements for this type of facility include:

- Paying CRV to consumers for all eligible aluminum, glass, plastic, and bimetal beverage containers.
- With the exception of grandfathered facilities and rural region recyclers, operating at one location for at least 30 hours each week, five of which are other than between 9:00 a.m. to 5:00 p.m. Monday through Friday. Recycling centers may qualify as rural region recyclers and operate less than 30 hours per week provided: 1) the recycling center is located in a designated rural region; and 2) the proposed operating hours do not decrease consumer convenience.
- Posting the hours of operation, open for business, and pricing signs. These sign requirements are listed in the Department's regulations.
- Inspecting all loads received to determine eligibility for CRV payments.
- Keeping proper receipts and logs of transactions and preparing shipping reports.

The certification is not transferable from one location to another. Each recycling center location must be certified, even if several are owned and operated by the same entity. The certification also is not transferable if you sell the business. The new operator must apply for certification.

The Department's regulations contains a more complete listing of the requirements for a certified recycling center and should be thoroughly reviewed if you plan to operate a certified recycling center.

Processor

A certified processor purchases materials from certified recycling centers, drop-off or collection programs, community service programs and registered curbside programs. Processors pay CRV and may pay scrap value for beverage containers from certified recyclers and eligible curbside programs. The processor is responsible for canceling the empty beverage containers it purchases to prevent CRV from being paid more than once on the same container.

How do I apply for certification?

The Division is responsible for certifying individuals, partnerships, limited liability companies, corporations, and other entities as drop-off or collection programs, community service programs, recycling centers and processing facilities. An application and a copy of the regulations can be obtained by contacting the Department or by visiting the website.

One of the most important things to remember when applying for certification is that a separate application must be submitted for each location that you want certified to operate as a recycling center or processing facility. Once it is approved, the certificate is valid for two probationary years and must be kept on the premises of the center. At the end of the probationary period, the Department may terminate the certification,

extend the probation, or grant an additional three years of certification. In the case of reverse vending machines, drop-off or collection programs and community service programs, the certificate must be kept on file at the main business office of the operator. Drop-off or collection programs and community service programs may operate at multiple locations with one certification. The certification is valid for two years with the first year probationary.

Review of each application for certification is thorough. Be prepared to provide all of the following types of information:

- The category of certification requested.
- Name and address of the drop-off or collection program, community service programs, recycling center or processing facility. Physical location of the facility, including the nearest cross street. Name and address of the operator and contact person.
- A copy of your fictitious business name statement, if available.
- The type of organization that the operator represents. If it is a corporation, you must provide the corporate number as filed with the Secretary of State, a copy of the articles of incorporation and the name and position of all corporate officers. Partnerships must provide a copy of the partnership agreements. Limited liability companies should provide the articles of organization, statement of information, and any operating agreement.
- The Federal identification number (employer ID number).
- History of any past or pending certifications requested from the Department.
- Name and address of the owner of the facility premises. If you are leasing, renting, or operating



on donated space, provide a copy of a lease, rental agreement, or written permission from the property owner or leaseholder. Be sure the document identifies the name of the operator, the specific facility address, and refers to a recycling business.

- The beverage container type(s) to be accepted or collected.
- If your business is a partnership, all of the partners must sign the application. If it is a corporation or limited liability company, the chief executive officer or the individual with authority to legally bind the corporation to a contract must sign the application. For husband and wife co-ownerships, both husband and wife must sign.

The application is designed to provide the Department with enough information to assess your business and its potential compliance with the statute and regulations. A new application must be filed if any of the following occurs:

- A change in facility location (for recycling centers and processing facilities)
- A change in the operator

- A change in the certification category
- With the exception of an operator who is operating under a probationary certification, expiration of the certificate
- A change in type of organization
- A change in partners for partnerships

All of the application procedures should be followed carefully. If you need assistance, the Division is available to help you. Exhibit 3.1 outlines the application process time frame.

An initial review will be completed within 15 working days of receiving the application.

Once the application is complete, a program review site visit may be scheduled. Then the application is approved or denied within 45 calendar days.

If you operate a certified recycling center, once your facility is operational you will be sent a sign or decal that must be posted at the main entrance to your facility. If you operate a reverse vending machine, post the decal where it can be viewed by customers approaching the unit or the machine.

Exhibit 3.1 TIMEFRAME OF APPLICATION PROCESS

Acknowledgment that application has been received	15 Working days	Notification of complete application or request for additional information sent	Information received & processed	45 Calendar days	(Possible site visit) Application approved or denied	60 Calendar days to begin operations (for recycling centers and processors only)
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Title 14, Department 2, Chapter 5, Subchapter 2, Article 1, Section 2030 and Subchapter 6, Article 1, Section 2500.

Important Items to Remember About the Certification Process

You cannot act as a certified operator until your application is approved. Recycling centers and processors must provide an operational date to the Department in writing within five (5) calendar days of starting.

Recycling centers and processing facilities must begin operating within 60 calendar days of becoming certified.

You must be certified separately for every location where you operate, with the exception of community service programs and drop-off or collection programs.

You cannot locate a recycling center directly on a public street or sidewalk. It must be located in a properly zoned area.

Accurate record-keeping must be maintained, including receipts and logs, daily summaries, tax records, and a record of business activities for tax and audit purposes. Drop-off or collection programs must maintain logs, copies of shipping reports and weight tickets. This is necessary to remain certified.



Planning your business effectively can mean the ultimate success or failure of your venture. There are a number of operational details to running a recycling business that you should consider when developing your business plan. Among other things, you must decide what materials to accept, what volumes to anticipate, and you must decide what your respective equipment requirements are, as well as how to staff the business. Your location will play a critical role in the success or failure of the business. The financial aspects, initial start-up costs, revenue and expense projections, and funding sources, need to be carefully thought out. In addition to reading the following section, talk to people already in the business to gain a firm understanding of all the factors that make up a comprehensive business plan.

What type of legal structure is appropriate for a recycling business?

Your business could be organized as an individual/sole proprietorship, a husband/wife co-ownership, a partnership (general or limited), a limited liability company, a nonprofit corporation or a for-profit corporation. Which of these is appropriate for you will depend on the specifics of your business.

SOLE PROPRIETORSHIPS

Sole proprietorships are the simplest form in which to conduct a business. As a sole proprietor, you are the business. This means that you will receive all profits and you are personally responsible for all debts and liabilities.

HUSBAND & WIFE CO-OWNERSHIPS

Husband and wife co-ownerships are comprised of a husband and wife conducting a business together. Both husband and wife share the profits and both are responsible for all debts and liabilities.

GENERAL PARTNERSHIPS

General partnerships occur when two or more co-owners engage in a business for profit. A general partnership can hold and convey legal title to real property in its own name instead of in the name of the partners and can sue and be sued in the partnership name and as individuals. Be sure to have a written agreement between the partners that spells out the rights and responsibilities of the partners as well as a formula as to how profits and losses will be divided.

LIMITED PARTNERSHIPS

Limited partnerships are comprised of one or more general partners who manage the business and are personally liable to the partnership's creditors, and one or more limited partners who contribute capital and share in profits, but take no part in running the business. A limited partnership agreement must be filed with the Secretary of State.

NONPROFIT CORPORATIONS

Nonprofit corporations are special corporations formed by one or more individuals for the benefit of the public, the mutual benefit of its members, or for religious purposes. Income in excess of expenditures can be channeled into operations expansion, equipment replacement, and advertising and promotion. Nonprofits in California register with the Secretary of State.

CORPORATIONS

Corporations are a distinct legal entity and have their own identity, which is separate and apart from the individuals who created it. The creation of a corporation requires the corporate structure to consist of directors, officers and shareholders. The corporate form is the most expensive form of doing business.

Articles of incorporation must be filed with the Secretary of State.

LIMITED LIABILITY COMPANIES (LLCs)

Limited liability companies offer its members the limited liability of corporate shareholders, plus the tax advantages of a partnership. LLCs have one or more members which may be individuals, partnerships, trusts, estates, associations, corporations, or other entities. LLCs register with the California Secretary of State.

There are advantages and disadvantages to each form of business entity. You should consider carefully what fits your needs best. The Small Business Administration has a pamphlet on business structures, “Selecting the Legal Structure for Your Business,” available upon request.

What materials will I accept?

Beverage containers and other products made of paper, plastic, metal and glass materials are all potentially recyclable and perhaps profitable. What you choose to accept is the key decision you will make. All other business decisions, such as your equipment, staffing and location, will flow from this decision. Some of the issues you should consider include the following.

MARKET SUPPLY AND STABILITY

Is there a market for your selected material and are the prices reliable? Are there several markets to choose from? If there are several markets available, even if each is not entirely stable, this will provide you some flexibility and choice when selling. If you cannot find a market for your material, you should consider another material. Without a market, you will not have a recycling business.

HANDLING EXPENSES

How much does it cost to handle or process your material of choice? Some materials are easier to process than others and this affects the cost of recycling the material. Will the handling expenses consume too much of your proceeds from selling the material? If so, you may not be able to make a profit, and you should consider another material.

TRANSPORTATION COSTS

Due to a variety of factors, such as weight and compactability, some materials are more expensive to transport than others. In some cases, such as glass, this can be a serious problem in making recycling viable.

SAFETY

Some materials are more dangerous for workers to handle than others. For instance, recycling glass or metals has more potential for safety problems than recycling paper.

STORAGE COSTS

Storage costs may also differ according to material type. Plastic is a good example because plastic is more voluminous than glass, even when crushed. Therefore, you may need significantly more space to store plastic than you would for the same weight of glass. The more space that your material takes up for storage, the less space you have for profit-making operations.

Remember, if you are certified as a recycling center in the beverage container recycling program, you must accept all eligible CRV aluminum, glass, plastic, and bimetal beverage containers.



How much material can I expect?

Depending on the type of program, the materials that you will deal with may come from a variety of sources including the public, nonprofit organizations and other recyclers. The volume of material you will handle will vary somewhat from month to month, depending upon a variety of factors, including the following.

SUPPLY OF MATERIALS

If the supply of materials is low, there will be more competition for scarce materials, and you are likely to receive fewer recyclables than normal.

LEVEL OF COMPETITION

The more competition your business faces, the harder it will be to obtain large amounts of materials, and vice versa.

MARKETING

If you are more successful at marketing your business to the community than your competitors, the community may reward you with more materials.

LOCATION CONVENIENCE

The convenience of your location is important. The more convenient your location, the more customers you will have...meaning more material.

PRICE OF MATERIALS

The amount you can pay for recyclable materials is also important. If you can offer a higher price than your competitors, customers will come to you instead of your competitors, again meaning more material.

It is important to look at these factors specifically for

your market area. Your projections of material volume will drive other decisions you must make, such as equipment needs, staffing, and projected revenues. When thinking about what materials to accept and what volume to expect, remember that the supply of CRV containers is finite and competition is heavy.

What are my equipment requirements?

The types and sizes of equipment used will vary from center to center, but commercial recycling equipment can be grouped into the following categories.

CONTAINERS

This includes items such as individual recycling containers for collection, bulk storage containers for use on trucks or in your plant, and hauling containers used for long-distance transportation.

PROCESSING EQUIPMENT

Processing equipment includes machinery necessary to prepare your materials for market. For instance, crushers, balers, and shredders are types of processing equipment. Remember, only certified processors can cancel CRV beverage containers.

WEIGHING EQUIPMENT

This includes items such as scales and weights, which are used to weigh materials for consumers, shipping reports, and the market.

VEHICLES

A variety of vehicles may be required for your operation, including vehicles for in-house material handling and hauling materials to market. Some examples include forklifts and recycling trucks.

Equipment sources may be found by consulting the yellow pages of your local telephone directory, trade publications and libraries.

Similar to other elements of your business plan, your specific recycling equipment needs will depend on a variety of factors, including:

MATERIAL TYPES

The handling of different materials may call for different equipment. For instance, recycling glass may require a crusher, while recycling aluminum cans may require a baler.

EXPECTED VOLUME

If your material volume increases above a certain point, it may be more efficient and economical to obtain a larger piece of equipment that can process a larger amount of material, or another piece of equipment of the same size, in order to process your increased material.

FIXED VS. MOBILE LOCATION

If you have a fixed plant location, your equipment needs will be much different than if you have a non-stationary type of recycling operation. Your non-stationary operation will need smaller, more sturdy, mobile equipment such as a trailer, bin or vehicle, whereas with a fixed plant, you have much more flexibility in your equipment choices.

AVAILABILITY AND COST OF LABOR

If it is cheaper to pay laborers to sort cans than it is to purchase and operate a mechanical can sorter, you will obviously want to avoid purchasing the equipment, and vice versa.

AVAILABILITY AND COST OF SPACE

If your space (indoors and outdoors) is expensive, you will want to make the most use possible out of the least amount of space. This would mean purchasing compact equipment that will make the most of your space for your dollar.

PROCESSOR NEEDS AND REQUIREMENTS

This includes items such as the required level of separation. If your processor will not sort your materials, decontaminate them, or crush them, and so on, you may have to purchase the equipment to do those jobs in-house in order to work with that processor. Be sure to shop around for processors, as different processors have different material preparation requirements. You may be able to avoid purchasing certain types of equipment, such as crushers, balers and roll-off bins, because a processor may provide them.

Consider all your options when buying equipment, including quality used equipment. Be sure to shop around and compare prices and equipment specifications. Plan ahead when ordering your equipment; request that your equipment arrive a few weeks before you actually need it as there are often delivery delays, especially with large pieces of equipment, such as trucks. Also, before ordering your equipment, check with your processor.

What makes a good site for a recycling center?

A good location will be convenient to customers, in a safe area and highly visible. It will also be in a location that is accessible for customers who use different types of transportation. These qualities are important for a successful and profitable recycling center. Additional factors to consider when researching sites for your business include the following:



CONVENIENCE ZONE

Contact the Department to determine if there is a convenience zone in the area that you are considering for the business.

If a zone is not being served by an existing recycling center, that area may provide an excellent opportunity for a new business. The dealers in the area will most likely support your center because they will no longer have to redeem containers within their stores. However, before siting your business in an unserved zone, you should carefully analyze why the area is unserved. Is it unserved because of a lack of customers, crime or transportation costs? A served zone, that is one with a recycling center, may not be a good location. You should take a careful look into whether or not the area has enough recyclable products to support two recyclers.

ESTIMATES OF SUPPLY AND DEMAND

Survey the area. Talk with the entities that already collect recyclable products within the area. Talk to people in the area to determine the public support for your business.

LEVEL OF COMPETITION

Look into the other direct competitors for your services. These may include other recycling centers, or curbside programs.

ACCESS TO MARKETS

Consider carefully, transportation costs of materials to the appropriate markets. These costs can escalate in rural or hard-to-get-to places and may significantly decrease profits.

SITE COSTS

Negotiate rent or lease payments aggressively. These may be costly and limit your profits and should be negotiated with that in mind.

EQUIPMENT SPACE REQUIREMENTS

Determine the space that will be necessary to operate your equipment. This will determine whether you can operate in a store parking lot or if you'll need more room.

PEOPLE AND VEHICLE TRAFFIC FLOW PATTERNS

Find sites with good traffic flow patterns. Include enough room for parking and other customers. Make sure access to the facility is easy and does not require a lot of maneuvering within traffic or on heavily congested streets.

By analyzing these issues about the site of your proposed recycling center, you can determine the best place for your business. A recycling center business is only as good as its ability to collect materials from the public, and a good location facilitates this.

How should a recycling business be staffed?

A recycling operation can be an owner-operated business or employ a number of people. Staffing requirements will depend on the type and size of your recycling operation. Areas you should consider include:

EMPLOYEE SKILL LEVEL

What kinds of materials will be handled? If heavy machinery is required to move the loads or products,

then skilled labor may be necessary to operate the equipment. However, if your center is merely sorting material and handling customer interaction, less skilled labor may be appropriate. It is very important that your employees have a working knowledge of the program's regulations and procedures.

HOURS OF OPERATION

Learn the times that most of the people are out and about running errands or shopping to maximize the amount of traffic. Remember that to be certified, a recycling center must generally be open a minimum of 30 hours a week, with five of the 30 hours being other than 9:00 a.m. to 5:00 p.m. Monday through Friday. (The exceptions are grandfathered facilities and rural region recyclers.)

AVAILABILITY AND COST OF LABOR

Check into what the salary or hourly wage level is in the area and whether or not the type of staff you require are available in that area. For instance, in some areas it is hard to find minimum wage employees to staff centers because of a lack of public transit. How you staff your recycling business is important because staff not only will perform the day-to-day tasks, but they are also an expense for which you must plan. Therefore, it is important to look into your staffing needs very carefully.

What does it cost to begin a recycling business?

After deciding on the kind of business you want to operate, you should develop an estimate of the start-up costs required to get that business off the ground. These costs will be determined by the nature of the business, the location and the type of equipment that will be used. In general, they must be paid out long before any revenues will flow in from the operation of

the business. Therefore, you should consider them long-term investments in the business.

The costs can be grouped into the following five categories.

LICENSES AND FEES

Licenses and fees include the cost of obtaining a business license, local land use permits and local special use permits, if appropriate. (See Chapter 3.)

LAND

Land, must be either purchased, leased or donated for the period of the business' operations. If you are leasing the land, you should anticipate that deposits or bonds may have to be posted with the owner, in addition to the payment of initial rental costs.

CONSTRUCTION COSTS

Construction costs, including the cost to construct any necessary buildings, storage areas, sorting rooms, or shelters. This may also include construction of sorting bins, loading docks, and fencing for the property.

EQUIPMENT COSTS

Equipment costs, which may include material-handling equipment, office equipment to ensure proper record-keeping and transportation equipment, such as a truck.

INITIAL OPERATIONS FUNDING

Initial operations funding should also include the entire cost to operate the business for its first few months. This category should be included in your estimate of start-up costs to ensure funding for initial



operations, until you can sell the recyclable materials collected.

Using the work sheet provided, calculate the total start-up costs for the business you anticipate. Then make sure that adequate funds will be available to cover these costs. You may want to refer to “What are my sources of funds?” in this Chapter for ideas on obtaining financing.

EXPENSES

Monthly operating expenses will generally fall into four broad categories: labor (including your own salary), taxes and fees, equipment and capital, and overhead. The following worksheet provides a form for estimating your actual monthly expenses. In completing this worksheet, you should make

START-UP COST CALCULATION

Exhibit 4.1

Cost Category		Estimated Cost
<i>Licenses and Fees</i>	Business licenses and taxes	\$ _____
	Local land use permits	\$ _____
	Other	\$ _____
<i>Land</i>	Purchase price, including closing costs	\$ _____
	Initial rental expense, including security deposits	\$ _____
	Other	\$ _____
<i>Construction Costs</i>	Building and shelters	\$ _____
	Storage areas	\$ _____
	Sorting rooms and shelters	\$ _____
	Other	\$ _____
<i>Equipment Costs</i>	Material-handling equipment	\$ _____
	Office equipment	\$ _____
	Transportation equipment	\$ _____
	Other	\$ _____
<i>Initial Operations Funding</i>	Cost to operate the business for its first few months	\$ _____
		TOTAL \$ _____

How can I know what my expenses and revenues will be?

Your business' expenses and revenues will depend on your success in collecting and marketing recyclable materials. As Chapter 2 explains, it is difficult to forecast this success. To estimate your own costs and revenues, you may want to talk to others who already operate recycling businesses, local government officials, local business advisory groups, or consult the publications listed in Chapter 5.

pessimistic estimates of your likely costs to account for possible overruns or set backs. Another approach is to use your best-guess estimate and then add a management reserve factor of 10-15 percent to cover unforeseen events.

PROJECTED MONTHLY EXPENSES

Exhibit 4.2

Cost Category		Estimated Cost
<i>Labor</i>	Recycling location wages and benefits	\$ _____
	Maintenance wages and benefits	\$ _____
	Transportation labor	\$ _____
	Other	\$ _____
	Subtotal	\$ _____
<i>Taxes and Fees</i>	Property taxes	\$ _____
	Business license fees	\$ _____
	Payroll taxes	\$ _____
	Federal income taxes	\$ _____
	State income taxes	\$ _____
	Other	\$ _____
	Subtotal	\$ _____
<i>Equipment and Capital</i>	Recycling location site rental or lease payments	\$ _____
	Equipment, tools or machinery	\$ _____
	Supplies	\$ _____
	Transportation vehicles	\$ _____
	Capital asset purchase costs	\$ _____
	Maintenance of capital assets	\$ _____
	Interest	\$ _____
	Other	\$ _____
	Subtotal	\$ _____
<i>Overhead</i>	Utilities	\$ _____
	Advertising and promotion	\$ _____
	Insurance	\$ _____
	Transportation fuel	\$ _____
	General, administrative, and overhead	\$ _____
	Other	\$ _____
	Subtotal	\$ _____
TOTAL		\$ _____



REVENUES

Your business' revenues will come from three general areas: sale of materials for scrap, various payments from certified processors and other areas. Scrap revenues can be forecasted by estimating the amount of material, by type, that you will be collecting and multiplying this by an estimate of the market price. You should carefully read Chapter 2, to understand the variability of market prices. In addition, you may want to check the recycling publications listed in Chapter 5 for recent trends in market prices.

Use the following work sheet to estimate your monthly revenues. As with estimating your expenses, you should be realistic in forecasting revenue. Remember the prices in these markets fluctuate broadly and the price today may not be available when you try to sell your scrap materials.

Balancing these costs and revenues is the most difficult part of starting any business. You should be fairly confident in the estimates you use to complete these work sheets before you start your business, so that your net revenue (monthly gross revenues minus monthly expenses) will allow you to continue operating long enough to establish yourself in the community.

What are my sources of funds?

A primary reason why small businesses fail is a lack of adequate capital. By calculating what it will cost to start your business, as well as your operating costs, you will know what your funding needs will be. There are several sources to consider when looking for funding. These include the following:

SAVINGS

A primary source of capital coming from personal savings and other forms of personal equity. Generally other sources will not lend you money without a substantial investment on your part.

LOAN GUARANTY PROGRAM

The U.S. Small Business Administration (SBA) offers a variety of financing options for small businesses. However, it rarely makes a direct loan to an individual or company. The Agency is primarily a guarantor — it guarantees loans made by banks and other private lenders to small business clients through a network of small business development corporations. SBA guaranteed loans generally do not exceed \$500,000 of

PROJECTED MONTHLY REVENUES Exhibit 4-3

Revenue Type	Estimate	
<i>Sale of Scrap</i>	Sale of scrap aluminum	\$ _____
	Sale of scrap glass	\$ _____
	Sale of scrap plastic	\$ _____
	Sale of other scrap (paper, cardboard, etc)	\$ _____
<i>Payments from Processors in addition to CRV payments</i>	Administrative fees from processors	\$ _____
	State processing fees	\$ _____
<i>Other</i>	Grants and awards	\$ _____
	Other	\$ _____
TOTAL		\$ _____

which the agency guarantees 85 or 90 percent of the loan balance to the bank. The average size of a SBA guaranteed loan is \$175,000 and the average maturity about eight years.

BANKS AND CREDIT UNIONS

Private lenders are the most common source of funding. They provide loans to good credit risks. Personal credit history and your history of success operating small or related businesses will determine your eligibility. Before applying for a loan, prepare your business plan. A well thought out business plan tells a bank you are a good credit risk.

NORTHERN CALIFORNIA REINVESTMENT CONSORTIUM (NCRC) EnterFund

The EnterFund is a program designed to deliver microloans and technical assistance to the smallest businesses (those having five or fewer employees) in Northern California. EnterFund will provide loans from \$250 to \$25,000 accompanied by extensive counseling and technical assistance to help ensure the entrepreneur's success. EnterFund will be administered and managed by California Capital Small Business Development Corporation. For more information call (916) 442-1729 or visit the website located at www.ncrc.as.

VENTURE CAPITAL FIRMS

These firms provide start-up and other needed money for new companies in exchange for equity or part ownership.

It is important that you explore all of your options before making a decision on where to seek funding. To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it and how you can pay it back. A business plan can be a critical factor in securing financial backing for your business.

What are the elements of a business plan?

Your business plan is a written document that clearly defines the goals of your recycling business and outlines the methods for achieving them. A business plan guides and records your plans by:

- Providing a management and financial “blueprint” for the business.
- Assisting in securing financing.
- Providing an effective communications tool for investors, suppliers, employees and others interested in the operations and goals of the business.

A business plan will also help you prepare to file a certification application with the Department. Your business plan should be complete, clear, neat and accurate. In addition, be brief and to the point in your narrative. Your business plan should include the following elements:

INTRODUCTION

Describe your business goals and objectives, clarifying why you want to be in business. It can take the form of a cover letter or statement of purpose. If you are seeking outside funding, include information on the loan or funding request, the terms and conditions sought, purpose of the funding and the timing of funding needs.

BUSINESS ORGANIZATION AND HISTORY

Discuss the legal form of your business including incorporation date and location, if applicable. State any present or past successes that will impact on your request. Develop a management profile and a short statement on each principal staff member in your



business. Provide their background, education, experience, skills and accomplishments.

BUSINESS ORGANIZATION AND HISTORY

Provide a description of the site, including space available, improvements already in place, improvements needed, and utilization of space. Describe your location, particularly as it relates to the market area served, neighboring residential areas, access, zoning and competitive recycling operations.

BUSINESS DESCRIPTION

Provide a description of the business and any unique features that will give you a competitive advantage.

PERSONNEL

Detail personnel needs, including functions, duties, responsibilities, accountability, and job descriptions. Describe the local labor pool for the required level of skill you will need.

MARKETING PLAN

A marketing plan has three sections. First, analyze the market for the materials you intend to collect. Identify buyers for each kind of material, the anticipated volume of materials they will accept, and contractual arrangements. Discuss the long-range dependability of buyers and market trends for materials. Second, describe the sources of recyclable materials (private citizens, organizations, professionals, etc.). Project your material volume with supporting documentation. Make a long-range revenue forecast based on volumes and pricing. Third, describe the methods you plan to use to promote your recycling business. Describe advertising and promotional budgets. Explain the media you intend to use to reach your target audience.

OPERATIONS

Identify the equipment, facilities and people necessary to run your business. Describe daily operations of the business, including receipt of recyclable materials, materials handling, processing requirements, transport of materials, accounting/clerical functions and maintenance.

FINANCIAL MANAGEMENT

This is the most critical part of your business plan. You will establish vital schedules that will guide the financial health of the business. Your plan should include projected start-up costs, expected profit or return on investment for the first year, a projected income statement and balance sheet for two years, and monthly cash flow statement for 12 months.

RECORDS

Describe records to be kept, assignment of responsibilities for keeping them, and uses for records kept. Categories to be covered in record keeping include:

- Receipts and logs
- Daily summaries
- Shipping reports
- Financial records including income

LONG-RANGE PLANNING

Describe your plan for future growth or activity contingent upon current year's success in meeting objectives. Outline options for all contingencies for the next three to five years.

TIMETABLE

Provide your time schedule for soliciting funds, developing the site, testing your operations under real-world conditions to eliminate errors, and start-up operations.

CONCLUSION

Summarize your business goals and objectives. Send a message to the reader that you are committed to the success of the business.

Writing a thorough business plan is not an easy task. It is essential though, to the future success of your business.



Government Agencies

Numerous resources are available to assist a new recycling business. This section provides lists of government contacts, recycling associations, relevant recycling publications, and organizations that assist small businesses. For a more detailed resource listing, read the Resource Directory section of **SMALL BUSINESS SUCCESS**, a publication jointly sponsored by SBA, the Pacific Bell Directory, and SCORE. This very useful and thorough resource list covers organizations, associations, books, articles, magazines, and videotapes related to small businesses. It is available at SBA offices, or by calling (800) 827-5722. Don't forget to talk with people in the recycling field. Active recycling business people will be able to provide you with invaluable advice and information.

- **Department of Conservation**

Division of Recycling

801 K Street
Sacramento, CA 95814
www.conservation.ca.gov

Certification Services Branch

Certification Section, MS 15-59
(916) 324-8598

800 Information Phone

1-800-RECYCLE

(In California only)

- **California Integrated Waste Management Board**

1001 I Street
Sacramento, CA 95814
www.ciwmb.ca.gov

Planning and Assistance

(916) 341-6500

Public Affairs/Education

(916) 341-6300

- **Secretary of State**

Business Program Division

1500 11th Street
Sacramento, CA 95814
(916) 653-0721
www.ss.ca.gov

- **Employment Development Department**

800 Capitol Mall
Sacramento, CA 95814
(916) 653-0707
www.edd.ca.gov

- **Franchise Tax Board**

9645 Butterfield Way
Sacramento, CA 95827
(800) 852-5711
www.ftb.ca.gov

- **Attorney General Registry of Charitable Trusts**

1300 I Street, 11th Floor
P. O. Box 903447
Sacramento, CA 94203-4470
(916) 445-2021
<http://caag.state.ca.us/charities>

- **California Capital Small Business Development Corporation**

926 J Street, Suite 1500
Sacramento, CA 95814
(916) 442-1729

- **Internal Revenue Service (IRS)**

4330 Watt Avenue
North Highlands, CA 95660
(800) 829-1040
www.irs.gov

The IRS has several publications of interest to new businesses. Order IRS publication 583 "Information for Business Taxpayers" and Publication 334 "Tax Guide for Small Businesses" for more information on taxes and businesses. Order Form SS-4 to obtain a Tax

or Employer identification number for your business and IRS Publication 15 if you have employees.

Recycling Associations

These groups have been assembled by professional recyclers to serve their communities with practical information about recycling. They can be very good sources of recycling data.

- **California Resource Recovery Assoc.**
Box 162789
Sacramento, CA 95816
(916) 441-2772
www.crra.com
- **Northern California Recycling Assoc.**
P.O. Box 5581
Berkeley, CA 94705
(510) 562-4991
www.ncrarecycles.org

Recycling Publications

These publications may be available at a local library. They can be useful sources of information on all aspects of recycling.

BioCycle
JG Press, Inc.
419 State Avenue
Emmaus, PA 18049
(610) 967-4135
www.jgpress.com
published monthly

Fibre Market News

GIE Publishers
4012 Bridge Avenue
Cleveland, OH 44113
(216) 961-4130
www.recycle.net/recycle/pub/rs000268.html
published weekly

Plastics Recycling Update

P.O. Box 42270
Portland, OR 97242-0270
(503) 233-1305
www.recycle.net/recycle/pub/rs000271.html
published 11 times per year

Recycling Today

GIE Publishers
4012 Bridge Avenue
Cleveland, OH 44113-3399
(800) 456-0707
www.recyclingtoday.com
published monthly

Resource Recycling

P.O. Box 42270
Portland, OR 97242-0270
(503) 233-1305
www.resource-recycling.com
published monthly

Scrap

1325 G Street, NW Suite 1000
Washington, DC 20005-3104
(202) 662-8540
www.scrap.org
published bimonthly

**Waste Age**

PO Box 12914

Overland Park, KS 66282-2914

(800) 441-0294www.wasteage.com

published monthly

200 West Santa Ana Boulevard, Suite 700

Santa Ana, CA 92701

(714) 550-7420**FAX (714) 550-0191**

455 Market Street, 6th Floor

San Francisco, CA 94105-2420

(415) 744-6820**FAX (415) 744-6812****Assistance for Small Businesses**

The U.S. Small Business Administration (SBA) is a small, independent Federal agency, created by Congress in 1953 to assist, counsel, and champion small business. The mission of SBA, simply put, is to help people get into business and stay in business. Offices are located throughout California.

Information available through the SBA includes:

- Directory of Business Development Publications can be obtained by contacting your local SBA office. Over 100 publications are available, most for less than \$2 each.
- Service Corps of Retired Executives (SCORE) provides free and confidential counseling. There is no charge for SCORE services. Its counselors are volunteers with hands-on experience in the business world. Contact your local SBA office for the location of the nearest counseling center. SCORE also offers workshops throughout the year.
- **Small Business Development Centers**

Refer to list below for your regional development centers. Local development centers administer a menu of Federal and state loan and loan guarantee programs available to businesses.

Regional Office

455 Market Street, Suite 2200

San Francisco, CA 94105-2445

(415) 744-1996www.sba.gov

550 West "C" Street, Suite 550

San Diego, CA 92101-3540

(619) 557-7250**FAX (619) 557-5894**

660 J Street, Suite 215

Sacramento, CA 95814

(916) 498-6410**FAX (916) 498-6422**

330 N. Brand Boulevard, Suite 1200

Glendale, CA 91203-2304

(818) 522-3210**FAX (818) 552-3260**

2719 North Air Fresno Drive, Suite 200

Fresno, CA 93727-1547

(559) 487-5791**FAX (559) 487-5154**

Butte College Small Business Development Center
(Chico) (530) 895-9017

Cascade Small Business Development Center
(Redding) (530) 225-2770

Central California Small Business Development Center
(Fresno) (800) 974-0664

Visalia Small Business Development Center
(Visalia) (559) 625-3051

Central Coast Small Business Development Center
(Aptos) (831) 479-6136

Contra Costa Small Business Development Center
(Concord) (925) 646-5377

East Bay Small Business Development Center
(Oakland) (510) 893-4114

Fremont Small Business Development Center
(Fremont) (510) 505-9725

Eastern Los Angeles County Small Business Development Center
(Pomona) (909) 629-2247

Glendale Small Business Development Center
(Glendale) (818) 552-3254

South Central Small Business Development Center
(Los Angeles) (213) 473-5111

Commerce Small Business Development Center
(Commerce) (323) 887-9627

Export Small Business Development Center
(El Segundo) (310) 606-0166

Export Small Business Development Center Satellite Center
(Ventura) (805) 644-6191

Gavilan College Small Business Development Center
(Gilroy) (408) 847-0373

Greater Sacramento Small Business Development Center
(Sacramento) (916) 563-32610

Inland Empire Small Business Development Center
(Riverside) (800) 750-2353

High Desert Small Business Development Center
(Victorville) (760) 951-1592

Coachella Valley Small Business Development Center
(Palm Springs) (760) 864-1311

Inland Empire Business Incubator
(San Bernardino) (909) 382-0065

Napa Valley College Small Business Development Center
(Napa) (707) 253-3210

North Coast Small Business Development Center
(Eureka) (707) 445-9720

North Coast Small Business Development Center Administrative Office
(Crescent City) (707) 464-2168

North Los Angeles Small Business Development Center
(Van Nuys) (818) 907-9922

Gold Coast Small Business Development Center
(Ventura) (805) 658-2688

Northeast Valley Small Business Development Center
(Pacoima) (818) 834-9860

North San Diego County Small Business Development Center
(Oceanside) (760) 754-6575

Orange County Small Business Development Center
(Santa Ana) (714) 647-5200



Redwood Empire Small Business Development Center
(Santa Rosa) (707) 524-1770

West Company Small Business Development Center
(Ukiah) (707) 468-3553

West Company Coast Office
(Fort Bragg) (707) 964-7571

San Francisco Small Business Development Center
(San Francisco) (415) 744-8427

San Joaquin Delta College Small Business Development Center
(Stockton) (209) 943-5089

Alpine Chamber of Commerce Visitor Authority
(Markleeville) (530) 694-2475

Amador Small Business Development Center
(Jackson) (209) 223-0351

Calaveras County Economic Development Company
(San Andreas) (209) 754-1834

Sierra College Small Business Development Center
(Auburn) (530) 885-5488

Silicon Valley Small Business Development Center
(Sunnyvale) (408) 736-0679

Solano County Small Business Development Center
(Suisun) (707) 864-8025

Vallejo Campus Small Business Development Center
(Vallejo) (707) 644-5551

South Central Coast Small Business Development Center
(San Luis Obispo) (805) 549-0401

Southwest Los Angeles County Small Business Development Center
(Torrance) (310) 787-6466

Westside Small Business Development Center
(Santa Monica) (310) 398-8883

Southwestern College Small Business Development & International Trade Center
(Chula Vista) (619) 482-6391

Imperial Valley Small Business Development Center
(El Centro) (760) 312-9800

Venture Point Tech Coast Small Business Development Center
(Irvine) (949) 794-7244

Valley Sierra Small Business Development Center
(Modesto) (209) 521-6177

Valley Sierra Small Business Development Center - Merced Satellite
(Merced) (800) 323-2623

Weill Institute Small Business Development Center
(Bakersfield) (661) 322-5881

Yuba College Small Business Development Center
(Marysville) (530) 749-0153

Lake County Satellite Small Business Development Center
(Lakeport) (707) 263-0330

- The California Small Business Development Center (SBDC) Program is sponsored by the California Trade and Commerce Agency. SBDCs provide comprehensive services to small businesses. Each local SBDC uses a variety of resources to counsel and train small business owners and managers in financial, marketing, production, organizational, engineering, technical, and other management

topics. Assistance is available to help develop feasibility studies, business plans, cash flow analysis, and financial statements. Both one-on-one and group counseling are offered at no cost to the small business. Seminars and specialized training are available for a nominal fee. Call (916) 324-5068 for the center nearest to you.

- The California Small Business Association (CSBA) was created to give small business owners a voice in state government. CSBA's HELP-LINE, (800) 350-CSBA, provides resource information for small businesses. The system is easily accessible with a touch-tone telephone from your home or office. The HELP-LINE topics include:
 - Starting a business
 - Financing resources
 - Management and technical assistance
 - State and local programs impacting small business
 - Federal small business programs
 - Regulatory and tax considerations

The CSBA is located at:

PO Box 661235
 Los Angeles, CA 90066
(310) 642-0838
www.csba.com

- Local chambers of commerce are a good source of local business news, advice and support, demographic/economic data, special seminars and programs for small business, and representation of the business community before government entities. The Chamber can usually provide statistics on such factors as market characteristics, labor force, local facilities, transportation, and traffic that can help in business location decisions. The State Chamber has designed the following start-up kits for new businesses:
 - Business start-up kit for sole proprietors/partnerships (18 forms with easy instructions)
 - Business start-up kit for corporations (27 forms to incorporate your business)
 - Employer's kits